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U.S.D.A. AGR. ADJUST. ADMIN.

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PURPOSES AND RESULTS OF THE AGRICULTURAL ADJUSTMENT ACT

Address
of

D. P. Trent, assistant director,
Commodities Division, Agricultural Adjustment Administration,
To be delivered at 1:30 p. m., Central Standard Time,
Tuesday, July 31, 1934,
At the Annual Farm and Home Week, Fayetteville, Arkansas.



Under the influence of rapidly changing events, it is easy for us to lose sight of the things which have happened to agriculture during the past twelve or fifteen years and to forget the things which caused these conditions. It is difficult for us now to realize fully the situation which existed in May 1933 when the Agricultural Adjustment Act became a law.

As prices improve, we may easily forget that in 1931 and again in 1932 cotton sold at five cents or six cents per pound and that at wheat selling time in 1931 and again in 1932 wheat sold at less than 35 cents per bushel. We may soon forget that in 1932 corn and barley sold at less than 20 cents per bushel and, as livestock prices improve, we may soon forget that during the past three years hogs have sold at two and one-half cents per pound, beef cattle at three cents per pound, butterfat at less than 15 cents per pound, in some sections less than 10 cents per pound, and eggs at less than 10 cents per dozen.

We may also forget that the gross income of agriculture declined from 17 billion dollars in 1919 to five billion dollars in 1932 and that since 1929 ~~over a half~~ approximately one million farmers in the United States have lost title to their farms through tax sale, foreclosure or forced liquidation. It is not easy for us to keep clearly in mind that in 1919, the 30 million farm people of the United States received $18\frac{1}{2}$ per cent of the total national income, while in 1932 they received only seven per cent of a greatly reduced national income. What a bale of cotton would buy in 1910-1914 it took two bales of cotton to buy in 1932 and 1-4/5 bales to buy in 1933. What 100 bushels of wheat would buy in 1910-1914 it took over 200 bushels to buy in 1932. The taxes which one bale of cotton or 100 bushels of wheat would pay before the war, it took two bales of cotton or 200 bushels of wheat to pay in 1932, but by 1932 taxes had doubled and whereas one bale of cotton or 100 bushels of wheat may have paid farmer's taxes before the war, it took four bales of cotton or 400 bushels of wheat to pay the same farmer's taxes in 1932.

The farmer, who produced five bales of cotton or 500 bushels of wheat before the war with which to buy the things that he and his family needed, couldn't double his production of cotton or wheat in 1932, and if he had done so and all other farmers had done likewise, the prices of cotton and wheat would have been much lower than they were. The only alternatives which the farmer had to meet this situation was to buy less of what others had to sell, to restrict his spending in accordance with his reduced income, to reduce his standard of living and to get along without a lot of the things which he needed and which business and industry had to sell. That is just what he did except that to a considerable extent he met the situation by producing on the farm more of the food and feed which he and his family needed and which, under ordinary circumstances, he would have bought.

When the 30 million farm people no longer had buying power, business declined. When business could no longer sell to farm people, business could

no longer buy the output of industry. When industry no longer had an outlet for its goods, it laid off industrial workers and reduced its output or closed down. When industry reduced its output or closed down, it no longer had a need for raw materials which agriculture had to sell and unemployed industrial labor no longer had the means with which to buy the products of the farm, and so the vicious circle of economic stagnation was completed.

The fact that cotton is now 12 cents per pound or better instead of five cents or six cents, wheat around \$1.00 a bushel instead of 30 cents, and the prices of other products somewhat improved, is a thing which we are inclined to take as a matter of course and not to inquire what has brought these improvements about.

We are somewhat inclined to explain the condition of business in general terms by referring to the speculative boom of 1928-1929, the general worldwide depression, the decline of international trade, as a result of the erection of tariff barriers, etc. It isn't easy for many of us to get down to plain hard facts and recognize that what has happened to the country as a whole is largely the result of what has happened to agriculture during the past fifteen years and that recovery for the country as a whole necessarily involves recovery for agriculture.

It isn't a pleasing picture, I know, but it is a large part of what happened and we might as well recognize it and face it frankly and squarely. Someone has said that agriculture is the key log to the whole economic jam and that if this key log can be loosened and started moving, the whole jam will be broken and started moving.

There were and still are two schools of thought or two points of view with reference to the situation which I have described. The old stand-pat, reactionary point of view, which is out of touch and out of sympathy with agriculture, is that nothing can be done about it, that such conditions

have occurred periodically over a long period of years and must be expected and endured, that the problems of agriculture will work themselves out by natural processes, so let nature take its course. The other point of view is that something can and must be done to correct the situation, that too much human suffering is involved in waiting for these problems to work themselves out by natural processes and that there must be some way by which these periodic collapses of agriculture can be avoided. It is out of this latter point of view that the Agricultural Adjustment Act came into being and the Agricultural Adjustment Programs were instituted.

It is natural and reasonable that not all of us agree upon the remedy and the methods of applying it. There is progress and safety in a variety of views and opinions, as long as our thinking is progressive, constructive and sincere. If I am not mistaken, the Agricultural Adjustment Act is the out-growth of the thoughtful consideration and counciling together of the leaders who have long been in close touch with the problems of agriculture and who earnestly desire to bring about a better condition for farm people backed up and supplemented by the thinking and the demands of farm people themselves.

The Agricultural Programs are the product of an attitude of hopefulness, courage and determination and are backed by a spirit which says something can and must be done to provide permanently a greater degree of economic stability and security for agriculture, even though this may involve extreme measures and may require the charting of new courses. The fact is that we have a program which is the outgrowth of the thinking and the demands of farm people themselves and the program is largely in the hands of farm people. Mistakes have been made and others may be expected. That is fully recognized and admitted. Not all parts of the plan will work perfectly. That is to be expected with any plan, but lets keep in mind that we are dealing with difficult and complicated problems and conditions. Keeping in mind the situation which I outlined in the

beginning and the conditions which existed in the early part of 1933, and agreeing I hope upon a policy of action rather than inaction, we must recognize that it was not a question of choosing between easy and pleasant alternatives in meeting the situation, but a question of choosing between various possible plans for doing a difficult and complicated job, a question of choosing the plan which seemed to best fit the situation and offers most practical results. It was to be expected that any plan which might be proposed or adopted to aid agriculture would meet with opposition from certain interests or groups.

When the house is on fire, there is no time to argue about the comparative value of different types of fire-fighting equipment. The job is to make the best possible use of the equipment available in putting out the fire and then to talk about better equipment and improved methods. The man who leans against the gate and criticizes the manner of connecting the fire hose, turning on the water or handling the nozzle, will never save the belongings of the family who live in the house that is on fire. You have read the story of Fulton's steamboat. The people stood on the bank of the Hudson and argued that it would never run and when it did run they followed along the bank and argued that it would never stop. The country doesn't need anyone to sit on a stump and point out the difficulties and dangers ahead. We are fully conscious of the difficulties and we believe that this way lies safety and progress for agriculture and rural life. The fact is that American farmers have indicated a desire and a determination to climb out of this wilderness of economic stagnation and despair. The need is for leaders who can point the way that leads out and to put their shoulders to the wheel and push. Notwithstanding the difficulties and the mistakes which are inevitable, let's have faith that out of these difficulties and these experiences we will discover the way which will lead us out and will place agriculture upon a more secure and satisfactory basis.

The purpose of the Agricultural Adjustment Act stated, briefly, is

"to establish and maintain such balance between production and consumption of agricultural commodities and such marketing conditions therefor, as will re-establish prices to farmers at a level that will give agricultural commodities a purchasing power, with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period". The base period 1910-1914 is designated in the Act, except that for tobacco the base period is 1919-1920.

Certain things have happened in the world since about 1910 which we should keep in mind in thinking of the justification for and the soundness of a national plan of production adjustment or production control. Between 1910 and 1920, the farmers of the United States added 31,000,000 acres to the amount of land in cultivated crops. During the same time, Canada, Argentina and Australia increased their land in cultivated crops by 26,000,000 acres. In other words, the great agricultural countries which produce agricultural products most largely for export increased their total acreage of land in cultivated crops by 47,000,000 acres. On the other hand, the countries of Europe to which we sold most of our agricultural exports, decreased their acreage of land in cultivated crops by 40,000,000 acres.

At the close of the great war, the countries of Europe had become heavily indebted to the United States and were no longer in position to buy agricultural products from us to the extent which they had done before and during the war. It was natural and reasonable that agricultural production in these European countries should increase following the war and between 1920 and 1930 they did increase their total acreage of land in cultivated crops by 37,000,000 acres. As a means of increasing the production of agricultural products by their own people and of becoming more nearly self-sustaining and because they didn't have the money with which to buy from the United States and we were no longer willing to accept large quantities of manufactured goods which they had

to exchange, the countries of Europe erected high tariff walls against most of the agricultural products which we produce for export. At the same time, the American farmers and the farmers of Canada, Argentina and Australia continued to produce at almost maximum rate.

Another factor which entered into the picture was a reduction in consumption of certain products per capita by the people of the United States, particularly corn, rye, wheat and beef. Still another factor is that because of wide-spread unemployment of industrial labor and their inability to buy, the total consumption of agricultural commodities in the United States declined.

So, with continued United States production of agricultural products at near the maximum rate, with exports greatly reduced and with reduced consumption of agricultural products within the United States, it was natural that great surpluses of most of the products which farmers produce for market would accumulate, that is what did happen and as a result, prices declined to the lowest levels for many years.

Remembering the efforts which have been made in years gone by to stabilize or peg the prices of farm commodities without some means of controlling production, the principle of production control was made a part of the provisions of the Agricultural Adjustment Act and was made the basis for the Agricultural Adjustment Programs.

I don't need to relate in detail the efforts which have been made from time to time over a long period of years to get cotton farmers to regulate production. The same appeals have been made to wheat farmers and to producers of other farm products. These efforts have usually been without much success except in a temporary way. It was natural that it should have been so. There are more than 6,000,000 farmers in the United States, each operating a separate farm independent of all other farmers. Each farmer certainly has realized the soundness of regulating production in accordance with market demand, but he



didn't know how many of the other six million would do so. Because of this uncertainty and because in hard times it is the natural thing for each farmer to try to produce more stuff to sell in an effort to increase his income, most farmers took no heed of the appeals that they regulate production.

Through all the years industry has regulated production in accordance with prospective demand. Organized labor has also regulated the supply of labor by insisting upon shorter hours and by other means. The farmers have recognized the soundness of regulating production, but have been unable to do so because each farmer operates independently and there has been no means of carrying out production control in an organized and coordinated way.

In order to enable farmers to apply this same principle of adjusting or regulating production in accordance with market demand and consumer needs, the Agricultural Adjustment Programs were instituted through production control contracts with individual farmers.

Some time ago we received a letter from an official of one of the great automobile manufacturing concerns protesting against the plan of production control and taking the position that as long as there are any people in the United States who need food and clothing, the farmers of the United States should be encouraged to produce to the maximum regardless of the price which they might receive for the products of their labor. In preparing a reply to this letter it was interesting to suggest to the man that there are millions of farm people and other people as well who are driving their old cars, riding in wagons or staying at home because they haven't the means to buy new automobiles which his company is equipped to manufacture and sell, but that instead of producing automobiles at the maximum rate and selling them to those who need them at whatever they might bring, his company considers it sound to restrict production and to manufacture each year only the number of cars which they are convinced they can sell at a profit. The farmers of the United States could sell all the milk,

all the wheat, the beef, the eggs and possibly all the cotton which they can produce if they were willing to sell at the prices which maximum production would bring. This is about what we were doing when we were selling cotton at five cents or six cents per pound and wheat at 30 cents or 35 cents per bushel, but can farmers afford to continue producing and selling cotton at five cents per pound and wheat at 30 cents or 35 cents per bushel, hogs at $2\frac{1}{2}$ cents, cattle at three cents per pound and other things accordingly? Has the country as a whole a right to expect that farmers will continue to feed the people of the country at such rates while the 30,000,000 people on the farms live under the conditions which result from such prices? I think not.

Let me say that there is nothing in the Agricultural Adjustment Act or in the Agricultural Adjustment Programs which suggests that it is the purpose or the policy to create a scarcity of any essential agricultural product. To the exact contrary the two programs which have to do with non-food or non-feed commodities, cotton and tobacco have definitely promoted and encouraged a shift of land from these commodities to the production of food and feed for home consumption. All the production control programs have definitely encouraged a shift of land from the growing of surplus cash commodities to the growing of soil building crops, permanent pasture and to farm forestry. As a result of the drouth all restrictions have been relaxed with reference to the use of rented or contracted land in the production of forage and hay crops. All of these programs definitely promote a wiser use of land and better systems of farming. I repeat that nothing in these programs suggest a policy of creating a scarcity of any essential agricultural commodity. The farmers must expect to produce a sufficient quantity of these products to meet the needs of the country and there has been no suggestion and no thought at any time of creating a scarcity, but the farmers of the United States have a right to adjust production to such an extent that they may receive a fair price for the products of their labor and

they have a right to adjust production in such manner and to such extent as will enable them to exchange what they produce for what they need upon a fair and equitable basis of exchange. This is all that is being attempted and I believe it is sound and right and that it is in the interest of progress for the country as a whole. I should like to tell you briefly what has been the response of the farmers to these plans and what progress has been made in carrying out the provisions of the Agricultural Adjustment Act up-to-date.

You are familiar with the cotton plow-up campaign which was carried out as an emergency program in 1933. The Agricultural Adjustment Act became a law in May 1933 which was after the time when most farmers plant cotton. As a result of heavy production and reduced consumption of cotton for several years, there was enough American cotton on hand at the beginning of 1933 to supply the needs of the world for American cotton for a year without any production in 1933. Just after the Agricultural Adjustment Act was passed, it was found that the cotton farmers of the south had planted approximately 41,000,000 acres to cotton. With normal production this acreage would have produced 13 or 14 million bales and we would have had on hand the largest supply of American cotton in history, and again in 1933 the cotton farmers of the south could have expected not more than 5¢ per pound for their cotton. With characteristic promptness and courage, the Administration presented to the cotton farmers the cotton plow-up plan, purely as a voluntary plan and with the provision that if a large majority of the farmers did not indicate their approval by agreeing to cooperate, the plan would not be carried out. Within a period of three or four weeks 1,000,000 cotton farmers of the south signed offers to the Secretary of Agriculture, agreeing to plow up a total of 10,000,000 acres or one-fourth of the total acreage in cotton and to accept the reasonable basis of compensation which was offered. Under the leadership of cotton farmers themselves serving as committeemen, the program was carried out successfully. As a result of favorable

conditions the farmers produced on the remaining acreage 13,000,000 bales of cotton
ans were paid in the form of rental payments and profits on options, a total
up-to-date of \$163,000,000 or an average of \$163.00 to each of a million cotton
farmers. Including these payments, these cotton farmers of the south received
approximately twice as much for the 1933 crop as they received for the 1932 crop
and received at least \$300,000,000 more than they could have expected if the
cotton plow-up program had not been carried out and they had harvested the
17,000,000 bales which might have been expected. Anyone who will study the facts
in an unbiased and impartial way must agree that through this program the situation
of the cotton farmers of the south was saved in 1933 and a great catastrophe for the
south was avoided.

Following the cotton plow-up program of 1933, adjustment program of a more
permanent nature were offered to the wheatfarmers, the tobacco farmers, and the
corn-hog farmers, and at the present time approximately 3,000,000 farmers of the
United States have signed production adjustment contracts with the Secretary of
Agriculture under the provisions of the Agricultural Adjustment Act. Up to the
present time, a total of \$237,000,000 has been paid to these farmers in the form of
rental and benefit payments. By the end of 1934, it is estimated that \$659,000,000
will have been paid to these 3,000,000 farmers under the contracts which they have
signed or an average of \$200.00 each to approximately one-half of all of the farmers
in the United States.

I don't need to enlarge upon the benefits from this distribution of Federal
funds to one half of the 30,000,000 people who live on the farms. The beneficial
effects have been felt, not only by farm people themselves, but by all classes of
business and industry in agricultural communities throughout the United States. You
are familiar with the beneficial effects in the southern states and by the time
farmers in other sections of the country have received payments, the helpful effects

will have been felt by all sections of the country. Where these payments have been made they have been reflected in increased bank deposits, increased tax collections, increased payment of old accounts, increased purchases of the things which farm people buy and in an improved standard of living among farm people.

Let me suggest that these payments are not in any sense a bonus or a gift to farmers. They payments are being made, first of all, as a means of enabling farmers to adjust or regulate their production, and second, as a means of restoring normal purchasing power to farmers for their products.

It should be kept in mind also that these payments do not come from the regular revenues of the United States Treasury, but each program is financed by means of a processing tax upon the particular commodity. The processing tax is shared by you and me and others, including farmers, who buy the finished goods. Even though the processing tax may slightly increase the price which you and I pay for the finished goods and even though a portion of the tax is passed back to farmers, the proceeds of the tax go to farmers in the form of rental and benefit payments as a means of making it possible for them to regulate production and to remove a part of the disparity between the prices of what farmers sell and what they buy and thus restoring purchasing power to the thirty million people who live on the farms of the country.

While production adjustment or production control, as it is being carried out, is somewhat new, the adjustment of production in accordance with supply and demand is not new to American farmers. Farmers have always adjusted production as a result of low prices. Taking cotton as an illustration, we find that in 1894 the price of cotton was about 5¢ per pound and in the following year cotton acreage was reduced. In 1898 the price of cotton was low and the following year farmers planted a smaller acreage. In 1904 the price of cotton dropped and the next year a smaller acreage was planted. The same occurred in 1908 and 1909 and again in

1914 and 1915. In 1926 cotton sold at 10¢ per pound and the next year cotton farmers reduced their acreage by about seven million acres. The price of cotton has been declining since 1927 and since 1928 cotton farmers have gradually reduced their acreage but not sufficiently to regulate production because of the fact that there were no other crops to which they might turn with a prospect of better prices.

Compulsory adjustment of production is also not a new thing. Always, following a year of low prices for cotton, hard times, poverty and restricted credit farmers have reduced their acreage of cotton the following year, but we have always insisted upon going through this year of low prices and hard times as a result of over-production and have reduced our acreage the following year under the pressure of these conditions. Because of our inability to work together and because of a lack of any plan by which all cotton growers might work in unison in regulating production, we have not been able to look a year ahead, adjust our production a year in advance, and thus avoid those years of low prices, poverty and hard times. The thing which is being attempted under the present Adjustment Act is to enable farmers to see a year ahead and to join together in regulating production as a means of avoiding these years of low prices.

For many years farmers have been told and have been led to believe that farmers could not get together; that they would not stick. They have been told this to a large extent by those whose interests would not be served if farmers should get together and stick together in thinking through and working out some of the problems of agriculture. Farmers themselves, to a large extent, have repeated this slander upon American agriculture and over a long period of years millions of farmers have given this as an excuse for not joining with their neighbors in cooperative enterprises. Now that 3,000,000 farmers have joined together and it begins to appear that farmers can and will work together in adjusting production and working out some of their own problems, some people are afraid that farmers may become too

well organized and have become somewhat alarmed about this possibility. The result is that there has been considerable talk about regimentation of agriculture and about government interference with private business. According to Webster, the word "regimentation" means to divide into regiments or to classify into groups. Through all the years a process of regimentation has been going on among farmers. First of all, they are regimented into 2 groups, landowners and tenants, then the tenants are regimented or classified into 3 groups, cash tenants, share tenants and share-croppers. In the 10 principal cotton producing states, there are 205,000 cash tenants, 681,000 share tenants and 720,000 share-croppers. Then each group is divided or classified into whites and negroes. In the same 10 states, there are 289,000 negro share tenants and 381,000 negro share-croppers. In Mississippi alone, there are 103,000 negro share-croppers, according to the 1930 census. Year after year over a long period of time, this non-governmental and involuntary system of tenant farmer regimentation has been tightening its grip upon the cotton farmers of the south.

While the word regimentation sounds new and is being used in a new sense, regimentation is as old as history. The children of Israel, after generations of bondage in Egypt, regimented themselves voluntarily under the leadership of Moses and followed him out of the land of bondage into the promised land, a voluntary regimentation of an oppressed people in order that they might gain their freedom and have the right to determine their own destiny.

The shabbiest form of regimentation has been when cotton was 5¢ per pound, when cotton farmers in tattered clothes lined up at the commissary, credit store or country bank at the end of a year of five cent cotton to be informed how much they lacked paying out the year before and to be told how much furnish or credit they might have for the next year with which to grow more cotton.

The most regimental form of regimentation has been when farmers lined up at the tax collector's window in a year of low cotton prices to see how nearly they could pay their taxes and still have a little money with which to provide a bare living for their families. The most pitiful form of regimentation has been when the milk cows and the mules of cotton farmers have been driven down the dusty lanes on their way to the lots of the credit merchant or credit bank to satisfy an unpaid mortgage or lien because farmers couldn't pay with five cent cotton, or when farmers have hauled their cotton to a designated gin and sold to a designated buyer and have then lined up at the bookkeeper's desk to receive their receipted mortgages and to file out with bowed heads and faltering steps because they realized that there was nothing left out of a year's crop with which to buy needed clothes for the wives and children, to provide medical care for those who were sick, to buy books and shoes so that the children might go to school, and to provide the other comforts, conveniences and opportunities about which they had dreamed when they went out in the early spring and planted cotton in the warm, mellow soil.

The most inhuman form of regimentation has been when the wives and children of cotton farmers have gone into the field at sunrise and labored until sunset, trying to produce enough cotton so that the debts might be paid in the fall and that they might have something left to provide the comforts of life, and then to find at the end of the year that their industry and labor have been in vain and that their success and the success of millions of other cotton growers in producing a bumper crop has been their undoing. You can't tell the cotton farmers of the south anything about regimentation. You can't know what real grinding, heart-breaking, hope-destroying regimentation is until you have grown and harvested cotton under credit conditions and have sold it at 5¢ per pound.

I don't think I have overdrawn the picture and I don't mean to imply that this sort of regimentation is peculiar to the south or is confined just to cotton

farmers. The wheat farmers of the west have experienced the same thing when wheat sold at 30¢ per bushel; the corn farmer has experienced the same thing when corn was 20¢ per bushel and hogs $2\frac{1}{2}$ ¢ per pound; and the cattlemen have experienced the same thing when beef cattle sold at less than 3¢ per pound. Since 1929, one million farmers in all parts of the United States have been regimented off their farms and started on their regimental trek down the road through tax sales, mortgage foreclosures and forced sales of their farms.

If it be regimentation that we want to talk about, then lets make the most of it. Just as the Israelites regimented themselves together to follow the leadership of Moses out of the land of bondage and into the promised land, just as the men of the American colonies regimented themselves together under the leadership of Washington to throw off the yoke of a tyrant king, the American farmers in 1933 and 1934 have voluntarily regimented themselves together under the Agricultural Adjustment Act and under the leadership of the New Administration to fight for a common cause. The three million farmers who have signed production control contracts have done so voluntarily and willingly and in the belief that this plan offers them a way out of their difficult situation. No adjustment program has been developed without conciliing with the leaders of the branch of agriculture affected. No adjustment program has been undertaken except upon the approval of the rank and file of farmers concerned. The program in each county has been carried out, not by employees of the Federal Government, but by committees of farmers elected by the farmers themselves. These committees have done a wonderful work and the success of these programs up-to-date depends more than anything else upon the earnest, conscientious, painstaking work which they have done. The future of these programs is in the hands of the farmers themselves. Without the voluntary support and cooperation of the 3,000,000 farmers who have signed contracts, the Agricultural Adjustment Programs would never have gotten under way. Without the continued support of farmers as a whole, these programs in the future cannot possibly succeed.



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AGRICULTURAL ADJUSTMENT ADMINISTRATION

C O R R E C T I O N

In address of D. P. Trent, assistant director, Commodities Division, Agricultural Adjustment Administration, entitled PURPOSES AND RESULTS OF THE AGRICULTURAL ADJUSTMENT ACT, to be delivered July 31 at the annual Farm and Home Week, Fayetteville, Arkansas, please make the following corrections:

On page two, line three of first paragraph should read "over a half million farmers in the United States have lost title to * * *".

On page 16, the sentence beginning on line four should read "Since 1929, a half million * * * "

PRESS SECTION

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